

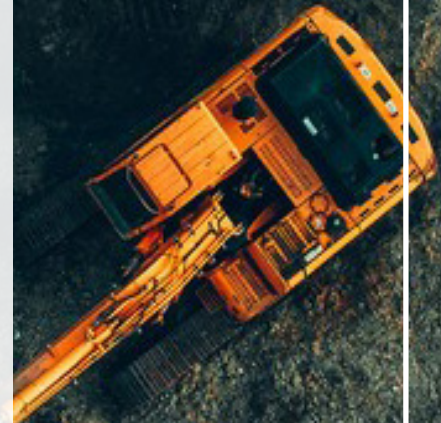


ESG Deep Dive: Rethinking Safety Metrics in Mining

A Closer Look at the Culture of
Harassment in Remote Mining Sites

Trigger Warning (TW): This paper discusses sensitive topics such as sexual assault and harassment, bullying, and racism, which may be triggering for some individuals.

Published: December 2023



Mining for Gender Balance

In 2016, BHP, one of the largest mining companies in the world, aiming to establish itself as a forward-thinking trailblazer within the mining sector, set a commitment to achieve a gender balance of 50-50 by 2025. At the time, 17% of their workforce were women. Now, after seven years and significant investments in diverse hiring, there are over 10,000 more women working at the company, equaling 35% of employees identifying as female. An honourable intent and an ambitious goal. However, beneath the surface, BHP and the broader industry are still grappling with how to achieve gender balance without putting these women in danger.

Diversity Without Accountability is Unsafe

Women who work in remote mining sites often face unique and distressing challenges. The isolation, gender imbalance, and historically male-dominated culture in these locations contribute to an environment where harassment can thrive. Harassment can manifest in various forms, including verbal abuse, discrimination, physical intimidation, and even physical harm. This issue not only affects the well-being of female employees but also undermines the industry's overall commitment to safety and sustainability.

A 2022 government report on Australia's mining sector uncovered disturbing cases of sexual harassment and abuse toward female employees at major companies, including BHP Group and Rio Tinto Group. The report attributed these horrific incidents to industry failures and a lack of government oversight.¹ While the industry was already facing scrutiny for its impact on local communities and the environment, the investigation shed light on a concern that was less known and for which data was not well reported.

Following the findings of the Australian government report, BHP and Rio Tinto initiated their own internal investigations, which revealed a significant number of reported cases of sexual harassment or assault, prompting the industry to commit to creating safer and more inclusive workplaces and the government to acknowledge victims' experiences with potential formal apologies and compensation.²

■ BHP

In 2021, BHP announced having fired 48 people after receiving 18 reports of sexual assault and 73 reports of sexual harassment among their 13,500 employees in Australia between 2019 and 2021. These cases have all been reported to the police. Internal investigations "substantiated" allegations of two cases of rape, one attempted rape, and three cases of forced kissing or groping while three other sexual allegations are still under investigation. Female employees have also endured unwanted touching and advances and inappropriate texts and pictures from colleagues.

In 2022, BHP issued another public apology to its employees who experienced sexual harassment across its offices, mine sites, and accommodation villages. The company revealed that it had received substantiated reports of more than 100 cases of sexual harassment in the previous 12 months alone. BHP's CEO, Mike Henry, emphasized the company's commitment to eliminating such behavior and noted that they were making progress through a \$300m AUD investment in making camp sites safer. However, at the completion of that project in 2023, BHP reported that cases of sexual harassment reported in the 12 months leading to June 2023 actually rose to 124 compared to 103 the year before.³

■ Rio Tinto

In 2022, Rio Tinto released an external review of its workplace culture, conducted by former Australian Sex Discrimination Commissioner, Elizabeth Broderick. The review uncovered concerning instances of bullying, sexual harassment, racism, and discrimination within the company. More than 10,000 individuals participated in the eight-month study, providing insights through surveys, group listening sessions, and individual submissions. The report comprised 26 recommendations to improve prevention and response to such behavior. Rio Tinto's CEO, Jakob Stausholm, expressed deep regret and committed to implementing the report's recommendations, focusing on creating safe and inclusive environments, ensuring safety at camp facilities, and facilitating easy reporting of unacceptable behavior.

The report's findings revealed systemic issues within Rio Tinto, with nearly 50% of respondents reporting bullying and 28.2% of women and 6.7% of men experiencing sexual harassment. Racism was also prevalent, particularly among Indigenous Australians and those working outside their home countries. 21 women reported actual or attempted rape or sexual assault in the five years preceding the report. The report emphasizes the need to engage with those impacted by harmful behaviors to design effective solutions for lasting cultural change. Rio Tinto's CEO expressed a strong desire for cultural change within the company, with an emphasis on transparency, accountability, and action.⁴

Engagement

On November 28, 2023, members of our Credit Research Team attended BHP's ESG Roundtable, which addressed the issues of sexual harassment within the organization. BHP has updated their reporting to include sexual harassment as a safety issue and has included the category in their risk framework as well. The company continues to increase their gender representation – now targeting a more inclusive split of 40% women, 40% men, and 20% any gender. However, incidence numbers as recently as this past summer still point to further work needing to be done in order to protect female employees at remote sites. The company's new Sexual Harassment Elimination Program is designed to address this with more oversight.

BHP acknowledges that there continues to be a lack of consistent incident reporting both within the company and the industry as a whole. They have updated their incident response framework and plan to continue improving responses for complex cases and provide better support for Impacted Persons. While effort has been made to improve the glaring lack of safety for female employees at the company, we believe there is more work to be done to ensure these new and proposed changes to BHP's approach have meaningful impact at the site level. We have requested further one-on-one discussions with their team on these issues and will continue to follow the evolution of this issue at BHP and within the mining industry.

When we reached out to Rio Tinto for an engagement discussion, we were directed to the Everyday Respect section and Policies and Standards section of their website.

Although we have previously invested in BHP and Rio Tinto, none of the mandates we manage hold any positions in securities issued by either company as of December 2023. In our view, at this time, there are significant risks exposed by this drive for diversity and these issues appear to be embedded in the culture of the companies, and actions taken thus far have not been sufficiently material. However, as we do not employ negative screens in most of our mandates, there are no limitations to investing in these companies or others within the sector in the future. Moreover, the lack of standardized incident and harm reduction reporting across the industry makes it difficult for the market to price in a premium for these workplace harassment issues without widespread investor demand. In this regard, the European market is far ahead of North American markets as European investors have more ESG-related restrictions in their mandates.

Analysis of Persistent Challenges and Gaps

Industry Reporting

While both Rio Tinto and BHP, as well as other industry players, have made notable strides in increasing representation and commendable efforts in combating harassment in remote mining sites, challenges and gaps persist. Changing deep-rooted cultural norms while achieving gender balance remains an ongoing challenge. Remote locations present unique logistical difficulties in implementing and monitoring these initiatives effectively. The investment industry is focused on what investors can see (i.e., the gender ratios), and has as a result, overlooked the underlying systemic and cultural issues within companies. Continuous effort, awareness, and collaboration by companies are needed to bridge these gaps and create lasting change. Investors can further progress by demanding quality data and incremental improvements in these areas when considering where to allocate capital. As an asset manager, we would want to see these organizations move away from targeting gender splits and toward including targeting and reporting incident and harm reduction.

SASB Safety Metrics

Although more companies have begun to disclose data related to instances of sexual harassment in recent years, specific focus on this data from an investor perspective still lags. The SASB materiality framework, which we believe to be well-developed, forms part of the foundation of our own internal ESG scoring methodology. However, while the SASB materiality maps for the Iron & Steel Producers and Metals & Mining industries specify Workforce Health and Safety as a material topic, the words “women,” “harassment,” and “sexual” do not appear at all in the frameworks for these industries. This seems to indicate that this type of data is not yet seen as ‘fundamental’ in the eyes of global ESG frameworks, with the disclosure of additional KPIs about sexual harassment still solely at each company’s discretion. Without robust frameworks to address and track such issues, most ESG scoring methodologies fail to capture these real, impactful risks within companies’ business models. There is an opportunity here to re-evaluate how the industry and investors can improve accountability regarding Social factors.

RPIA Workplace Equality Model

Our analysis of the sector and these reports has highlighted to us gaps within our own scoring model, which we now intend to remedy. Our data-driven deeper dive into workplace equality, which considers data on participation, mobility, leadership, equal pay, and representation, also lacks sufficient focus on the safety of women in the workplace. We are discussing how to quantify these risks from an investment perspective and how we can improve accountability within the industry in light of these findings and the lack of sufficient industry-wide safety frameworks. We are also exploring how best to update our models to incorporate this type of data and in-depth controversy screening into our scores.

Final Takeaways

As many companies across sectors make great strides toward becoming more diverse organizations with better representation, it becomes crucial to be thoughtful about the environment surrounding these targets and consider all outcomes of diversity. Setting targets without understanding human impact can exacerbate unresolved or previously unidentified problems. It is not enough to set ESG targets – the underlying culture must be prepared and hospitable for these goals to be accomplished at every level of the organization. ESG deep dives allow us to identify these gaps and rectify the way we gather and report certain metrics. As ESG data evolves, so must our models and considerations.

End Notes

- ¹ Source: Bloomberg, June 23, 2022. 'Horrorific' Sexual Abuses Uncovered in Australia Mining Probe (3). Shocking state government report reveals litany of abuse. BHP, Rio Tinto among giant resources companies named in report.
- ² Source: Bloomberg News, September 21, 2022. "Sexual Abuse at Australian Mines Set to Be Targeted By New Rules."
- ³ "Sexual harassment persists at BHP after \$300m spent on women's safety", Sydney Morning Herald, Sep 6, 2023.
- ⁴ Source: Rio Tinto Everyday Respect Report (www.riotinto.com/-/media/Content/Document/Sustainability/People/RT-Everyday-respect-report.pdf).

Important Information

RP Investment Advisors LP ("RPIA") is a signatory of the UN Principles for Responsible Investment and as part of our commitment, we consider Environmental, Social & Governance ("ESG") factors as part of our firm-level activities, including our investment process. ESG factors are important considerations in our investment management process but is supplemental to our primary financial and credit research and analysis functions.

ESG factors that may be considered as part of our investment process include matters relating to climate change, energy use, energy efficiency, emissions, waste, pollution, matters related to human rights, impact on local communities, labour practices, employee working conditions, health and safety of the employees and affiliates, employee relations and diversity, executive compensation, bribery and corruption, board independence, board composition and diversity, alignment of interest between the shareholders and the executives, shareholder rights, and companies' policies relating to ESG.

ESG integration, including components relating to issuer engagement, is a firm-wide investment approach but the weight and importance of it in our investment management process can vary across the investment funds we manage. Always refer to the relevant fund offering documents for important information on the investment objectives, strategies and associated risks of a particular fund. The consideration and implementation of ESG factors are also subject to RPIA's internal investment and risk management policies and may be revised as a result of investment suitability requirements, current portfolio positioning and external market and economic factors.

The consideration of ESG factors in the investment process for RP Strategic Income Plus Fund and RP Alternative Global Bond Fund is weighted less than the core financial and credit analysis employed in the management of these funds. Please see the [simplified prospectus](#) for additional information.



RPIA

43 Hazelton Ave.
Toronto, ON
M5R 2E3

www.rpia.ca

General Line: +1 647 776 1777

Investor Services: +1 647 776 2566